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Controller's Audit Finds Delta College Misspent Bond Funds With Little Oversight

SACRAMENTO – State Controller John Chiang today released an audit report that found \$11.5 million of bond proceeds earmarked to repair, improve, expand and upgrade facilities at San Joaquin Delta College were spent on state-of-the-art athletic facilities and high-tech electronic marquee signs. The audit also found the college failed to follow State laws that require strong oversight of voter-approved bond funds.

“When voters approved Measure L in 2004, they voted to provide funding to accommodate growing enrollment, prepare students for jobs and educational opportunities at four-year colleges, repair buildings and improve safety,” Chiang said.

“This audit shows the Board of Trustees disregarded the priority projects reflected in Measure L and the college’s master plan and instead diverted bonds proceeds to build an Olympic-quality track and other athletic facilities. Their actions lacked necessary oversight, and could lead to costly litigation. I am concerned the example set by Delta College could endanger voter-approved bond funding for future public works projects.

The final report includes responses from the college on all five findings and rebuttals from the State Controller’s Office auditors involved. A draft report publicized last week on the college’s Web site did not include these comments. These comments were missing from the draft document because the Board of Trustees violated audit protocol by publishing its findings in the middle of the audit process.

The audit determined the Delta College Board of Trustees for three years inappropriately used \$283,382 of Measure L bond proceeds to pay for costs associated with a new financial information system being used by a consortium of colleges. Those costs included fees and staff travel to 18 other college campuses and sites, including New York, Las Vegas and Hawaii. The costs are considered operating expenses that are specifically prohibited in Measure L. Although repaid in July 2008, these expenditures raised serious questions about control deficiencies and lapses in the oversight of bond proceeds.

According to the audit, the Citizens’ Oversight Committee (COC) was established to ensure funds are properly spent as proposed on the ballot exhibited little oversight. The Board of Trustees adopted bylaws that violated the Education Code by extending term limits and restricting the COC’s ability to review and question decisions made by Delta College officials.

The audit noted that while Delta College is required to undergo independent performance and financial audits each year, the reviews performed by an external audit firm did not constitute a “performance audit” under Generally Accepted Government Auditing

Standards. The COC's "audited annual financial reports" included bond information that was clearly marked "unaudited."

The audit recommended that trustees ensure their bylaws comply with state law, improve policies and procedures to ensure bond proceeds are spent as voters intended, and make public reasons for deviating from the list of priority projects approved by voters. The audit also recommended the Legislature impose sanctions against colleges that fail to comply with state requirements regarding the expenditure of bond proceeds. In addition, the State Controller is sending a copy of the findings to the California Little Hoover Commission to explore this area of public finance and make further recommendations to improve bond accountability.

The audit is available at the Controller's Web site at www.sco.ca.gov.

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